

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7259**

**BILL NUMBER: SB 403**

**NOTE PREPARED:** Jan 23, 2004

**BILL AMENDED:** Jan 22, 2004

**SUBJECT:** Sales Tax on Bundled Telecommunications Services.

**FIRST AUTHOR:** Sen. Merritt

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill provides that in a sale of bundled telecommunications products or services, which include both taxable and nontaxable products or services, the part of the products or services not ordinarily subject to the state Sales Tax is taxable unless the provider can reasonably identify the nontaxable part based on the provider's regularly kept business records.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** (Revised) The specific impact of the provision on revenue from the state's Sales Tax revenue is indeterminable, however, it is expected to be minimal.

*Background Information:* Under current law, charges for phone calls made within the state are subject to the Sales Tax, while charges for long distance interstate calls are not. For the most part, local and long distance phone companies itemize these charges on phone bills. Recently, however, phone companies have begun to offer bundled local and long distance service packages for a flat monthly fee. Under current law, if the taxable and nontaxable service charges are not separately stated on the customer's bill, the entire bundled service charge is subject to the Sales Tax.

This bill would allow phone companies to state the bundled service charge on the bill, and only remit the Sales Tax on the portion of the package that would be taxable if that portion of the service had been separately stated on the bill.

Sales Tax revenue is deposited in: the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

The Mobile Telecommunications Sourcing Law (IC 6-8.1-15) contains a similar provision clarifying the sales taxability of bundled mobile telecommunications services.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Diane Powers, 317-232-9853.